



EXECUTIVE COMMITTEE MEETING (SPECIAL)
CONFERENCE CALL
THURSDAY, AUGUST 13, 2009 · 9:00 AM

Present: Bill Barrett, Ted Bremner, Pat Carroll, Bill Dickerson, Bob Hall, Frank Mumford, Barry Pasternack.

Excused: Steve Murray, Ron Rangel.

Staff/Guests: Ann Ehl, John Jay, Mike Wolder.

1. CALL TO ORDER

Chair Bremner called the meeting to order at 9:00 a.m.

2. APPROVAL TO USE LINE OF CREDIT FOR ELKS SETTLEMENT

Mr. Dickerson reported that two items will be discussed today; the first is CSU Fullerton Housing Authority's (CSUFHA) use of the ASC's line of credit to offer the Elks a settlement. One of the conditions the ASC Board of Directors established for the CSUFHA's credit line was that each use required ASC approval. The CSUFHA Board met last week (08/10/09) giving their attorney Mike Wolder authorization to offer the Elks (through their attorney Pat Hartnett) \$100,000 in addition to what has already been offered (\$75,000 in legal fees). Mr. Wolder reported back that Mr. Hartnett is out of the state until next Friday and expected to be back in the office on Monday. Mr. Carroll added that any reasonable dialog and resolution CSUFHA can get with the Elks should be pursued. Mr. Mumford noted that the current line of credit is in the \$400,000 range; it had been at \$800,000 at one point, but has been paid down to its current level.

Prof Pasternack asked whether CSUFHA has \$100,000 of its own monies to pay the settlement; Mr. Jay replied that it has \$150,000 from insurance. Prof. Pasternack asked if the Elks indeed settle for \$100,000, whether the insurance would cover it; Mr. Jay responded that CSUFHA does not realistically anticipate settling for \$100,000. Mr. Carroll added that CSUFHA was under contractual agreement with the Elks; that the Elks have rights against us and can directly pursue the corrections from Valeo, but CSUFHA is the easier target. Prof. Pasternack noted that we don't really have an option; Mr. Carroll clarified that if the ASC denies this line of credit, CSUFHA will not be able to settle. Additionally, this means that a fixed amount would be paid in a given timeframe, complicating negotiations for both sides. Mr. Bremner asked whether the Elks were informed that CSUFHA had no funds; Mr. Dickerson said that they were.

Prof. Pasternack asked that if the Elks go to trial and win \$3M, whether they could go after the University Gables (UG) property; Mr. Jay said yes. Mr. Carroll added that UG is a

very complicated transaction with many restrictions; that the Elks could step in, but would not be able to foreclose on the property like a lender would.

Mr. Bremner asked what ASC's liability would be if it had the first position on the University Heights (UH); Mr. Jay said that the ASC as the secured lender could put a lien on the entire property. Mr. Bremner asked whether that would make the ASC liable (if a lawsuit were pursued by the Elks and judged in their favor); Mr. Jay said potentially. Prof. Pasternack asked why the ASC be liable as the lienholder; Mr. Jay said that holding interest in the property makes ASC liable.

Mr. Dickerson said that the ASC has \$14.3M in outstanding loans on behalf of CSUFHA, with 26 homes each worth \$500,000 to secure those loans. He believes that the action proposed by Mr. Jay, to record the property as recommended in the resolution, makes sense since the ASC secured CSUFHA's loan. Prof. Pasternack noted that his only concern was that it would open ASC up to potential liability, in which case he would not support the resolution. Mr. Carroll noted that everything we undertake has certain risks, and the risk of leaving those homes without security will allow the Elks to go after the homes. Being a lien holder is a very small risk; the bigger risk is being named in a lawsuit.

Mr. Carroll recommended that the ASC approve the line of credit in an amount "not to exceed \$250,000 or \$300,000" which would provide enough leeway to settle the case; Mr. Bremner recommended using \$250,000. **With that, Mr. Bremner moved, Prof. Pasternack seconded and motion carried to approve the CSU Fullerton Housing Authority's use of the ASC's line of credit to offer a settlement to the Elks for an amount not to exceed \$250,000. The approval was unanimous; there were no abstentions.**

3. RESOLUTION: APPROVAL TO SECURE ASC LOAN TO HOUSING AUTHORITY

Mr. Jay said that the second item of discussion was whether this action be limited to UH or include both UH and UG. **Prof. Pasternack moved to accept the resolution amended to secure UH only; Mr. Hall seconded and motion carried to approve. The approval was unanimous; there were no abstentions.**

Mr. Carroll recommended to Mr. Jay that the ASC consider getting a blanket lien on all CSUFHA assets; Mr. Jay said that the ASC will take the deed of trust on UH for now. Mr. Carroll suggested that deeds of trust on anything CSUFHA owns should be held by the ASC.

Approval to Secure ASC Loan to Housing Authority

WHEREAS, the CSU Fullerton Auxiliary Services Corporation ("ASC"), loaned the CSU Fullerton Housing Authority ("Housing Authority") fourteen million three hundred thousand dollars (\$14,300,000.00) ("Loan") in order to allow the Housing Authority to take out its construction loan with Citibank; and

WHEREAS, the increasingly difficult economic conditions facing our state and the downturn of housing market in general have placed the Housing Authority in a less than ideal financial condition; and

WHEREAS, the ASC Loan to the Housing Authority is currently unsecured; and

WHEREAS, the ASC believes it would be prudent to secure the ASC Loan to the Housing Authority by obtaining a security interest in the real property assets at University Heights of the Housing Authority; and

NOW THEREFORE, THE BOARD OF DIRECTORS OF THE CSU FULLERTON AUXILIARY SERVICES CORPORATION DOES RESOLVE AS FOLLOWS.

Section 1. The ASC Board of Directors hereby directs its Executive Director or his designee to obtain a security interest in favor of the ASC against real property held by the Housing Authority at University Heights.

Section 2. The Board of Directors hereby authorizes and directs its Executive Director and officers or any of them to take all actions necessary to implement the foregoing resolutions, including, without limitation, the executing loan documentation with the Housing Authority on the aforesaid terms.

4. ADJOURNMENT

Mr. Bremner adjourned the meeting at 9:30 a.m.

Approved by the Executive Committee, September 1, 2009.

Robert C. Hall, Secretary